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Asia markets extend global rally amid optimistic outlook

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BUSINESS

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Saudi Arabia to open financial markets to all foreign investors next month

Private sector rises on strength of Qatar's startup growth

By Peter Alagos
Business Reporter

"Qatar performs exceptionally well on global indices for innovation, including ICTs, ecological sustainability, and general infrastructure. According to the Global Innovation Index, Qatar ranks first globally in General Infrastructure for Innovation," says the Invest Qatar report.

Qatar's startup ecosystem is rapidly evolving, embracing global trends and investing in cutting-edge technologies to position itself as a hub for entrepreneurial growth and sustainability.

In its report, 'Qatar's Startup Environment: A Detailed Overview', Invest Qatar noted that the country currently hosts "around 1,000 startups with immense potential for growth", supported by strong performance on global innovation indices.

"Qatar performs exceptionally well on global indices for innovation, including ICTs, ecological sustainability, and general infrastructure. According to the Global Innovation Index, Qatar ranks first globally in General Infrastructure for Innovation," the report stated.

The government has reinforced this trajectory with bold commitments in artificial intelligence (AI), the report emphasised, citing HE the Prime Minister and Minister of Foreign Affairs Sheikh Mohammed bin Abdulrahman bin Jassim al-Thani's announcement of "$2.5bn" worth of incentives to advance AI, technology, and innovation programmes during the 2024 edition of the Qatar Economic Forum.

"This includes the Arab Artificial Intelligence Project, aimed at enriching large Arabic models and preserving Arab identity. Furthermore, Qatar Free Zones Authority (QFZ) signed an MoU with Germany's ZE-KI (Centre for Tangible Artificial Intelligence and Digitalisation) during the annual Qatar Economic Forum to set up an AI research centre in Qatar, further boosting the country's artificial intelligence cluster," stated the report.

The report also underlined talent development as another cornerstone of the ecosystem, citing Qatar's global top ranking in attracting international students, with universities such as Qatar University and Hamad Bin Khalifa University hosting world-class research centres like Qatar Computing Research Institute and the Qatar Biomedical Research Institute.

"Qatar ranks first globally in attracting international students, according to INSEAD's Global Talent Competitiveness Index 2023 report," the report noted.

Emphasising the role of the private sector in capital availability, the report stated that Qatar ranks fourth globally in financing small and medium sized enterprises (SMEs), with several domestic venture capital avenues and programmes, such as the NUMU, Itmar, and Al Dhameen, providing targeted support.

At the same time, Qatar Development Bank (QDB) complements these efforts with competitions, hackathons, and the ROWAD Awards, which celebrate entrepreneurs and SMEs with funding ranging from "QR250,000 to QR350,000."

"Qatar's strong economy provides abundant capital for startups with various public and private funds for startups. Qatar is the fourth-wealthiest country in the world on a GDC (PPP) per capita basis, making it a lucrative market for entrepreneurs… Startups in Qatar can access funding through various avenues, including government programmes, venture capital companies, and angel and seed investors," stated the report.

The report stated: "Entrepreneurial attitudes have improved significantly in Qatar, with 79.6% of the population believing that entrepreneurship is a good career choice. The Qatari government also supports the business environment as Qatar ranks second globally for tax policies, according to the IMD World Competitiveness Ranking 2023."

The report also cited the role of Tasmu, the Research to Startup Programme, and the Digital Incubation Centre as support systems that enhance ICT development and empower startups. These initiatives ensure Qatar's ecosystem is well-positioned to become a global leader in innovation and entrepreneurship, the report pointed out.

QFC relocates to its new Lusail headquarters

The Qatar Financial Centre (QFC) has relocated to its new headquarters at Lusail Boulevard, marking the official transition of all operations to the new premises. The relocation to Lusail is a key milestone in QFC's long-term growth strategy, positioning the centre at the heart of a smart, sustainable, and rapidly emerging district. Spanning 6,200sq m, the new headquarters has been designed to enhance operational efficiency and client service delivery. The move brings the QFC closer to key financial and professional institutions, placing it within a more strategic business environment. Leveraging Lusail's advanced infrastructure and connectivity, the new location further strengthens QFC's ability to deliver exceptional service and elevate client engagement, while reinforcing its position as a leading platform for companies seeking to expand in Qatar and across the region.

Qatar Chamber general manager honoured for CSR excellence

The Regional Network for Social Responsibility honoured Qatar Chamber acting general manager Ali Saeed Bu Sherbak al-Mansouri yesterday for his efforts and active role in supporting corporate social responsibility (CSR) initiatives in Qatar.

Dr Mohammed Saif al-Kuwari, international ambassador for the Regional Network for Social Responsibility, presented al-Mansouri with the International Certificate of Excellence in CSR.

The recognition follows the announcement of the 'Most Influential Arab Personalities in CSR for 2025' during the launch of the seventh edition of the 'Arab Professional Ranking' last month, in which al-Mansouri was included in the honorary category.

The recognition highlights Qatar Chamber's efforts and its notable contribution to adopting CSR programmes, as well as its continued support for initiatives aimed at achieving sustainable development and strengthening partnerships between Qatari businesses and the community.

Al-Mansouri expressed his appreciation for receiving the honour, stressing the chamber's keenness to promote a culture of social responsibility within the business community and to encourage companies to adopt constructive practices that achieve economic, social, and environmental development, in line with Qatar National Vision 2030.

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QICDRC issues procedural directive governing use of AI in litigation

QNA
Doha

The Qatar International Court and Dispute Resolution Centre (QICDRC) has issued a procedural directive governing the disciplined use of artificial intelligence (AI) tools, which litigants and their legal representatives are required to comply with when appearing and pleading before the court and the Regulatory Tribunal.

Procedural Directive No 1 of 2026 was issued as part of the court's heightened commitment to ensuring strict oversight of all documents and legal filings submitted to it, regulating the reliance on legal references and sources, and obligating attorneys to conduct comprehensive verification and certification of the accuracy of all such sources prior to submission to the court, particularly when utilising AI-powered technological tools, QICDRC said. The court added that this measure aims to preserve litigants' confidence in the judicial system and to uphold the principle of procedural legality, which constitutes a cornerstone of justice and a fundamental safeguard of the right to litigation.

QICDRC further indicated that the issuance of this directive followed the judgment rendered by its Court of First Instance in Case No [2025] QIC (E) 3, in which it concluded, in its reasoning, that the legal arguments submitted by counsel for the defendant, which relied on purported judicial precedents later proven to be non-existent and fabricated,did not constitute a mere research lapse or an isolated professional error. Rather, they reflected conduct that fell short of the duty of candour and transparency owed to the tribunal, and were intended to mislead the court by invoking legal authorities and precedents that had no legal existence.

As such, QICDRC held that such conduct exceeded the bounds of professional negligence and amounted to intentional misconduct, undermining integrity and impeding the proper administration of justice.

This judgment constituted a judicial precedent, the first of its kind in the Middle East and North Africa region, and attracted broad international attention due to the legal issues it raised concerning the use of AI-powered tools in legal practice, QICDRC noted.

It further emphasised that the judgment also reviewed comparative jurisprudence in this field, including leading cases issued in England and Wales, the US, Canada, and Australia.

The court clarified that the increasing reliance on AI-powered tools in legal practice has become a practical reality imposed by the modern workplace, serving as a beneficial orientation as long as AI reduces expenditures and enhances performance. However, QICDRC noted, this is conditioned on compliance with the requirements of professional integrity, ethical standards, and provisions of the law.

This new directive stipulates the responsibility of attorneys for the accuracy, correctness, and integrity of the submissions they present, imposing upon them the duty to verify all information, ensure the accuracy of legal reasoning, and confirm that nothing submitted to the court contains errors, misrepresentation, or deception, the court highlighted.

It added that the directive also emphasises the protection of confidentiality and privacy, prohibiting the input of any confidential or legally protected data into AI-powered tools accessible to the public, as any breach of this prohibition may expose the violator to legally prescribed disciplinary sanctions.

In addition, the directive clarified that pre-filing disclosure of the use of AI-powered tools in drafting submissions is not mandatory unless explicitly requested by the court, while emphasising the necessity of adhering to the principle of transparency.

In such cases, the attorney who utilised these tools must disclose which portions of the filing were drafted using AI when requested, and certify the steps taken to review and verify the accuracy of those portions in accordance with applicable professional standards.

Commenting on this, Chief Executive Officer of QICDRC, Faisal bin Rashid al-Sahouti, stressed that this directive underscores the court's commitment to keeping pace with cutting-edge technological advances in the litigation field, and to leveraging AI-powered tools in a legally disciplined manner while observing professional responsibilities to ensure the integrity of judicial proceedings and bolster litigants' confidence in the justice system.

BUSINESS

EV sales rebound in Germany as Chinese brands make inroads

AFP
Frankfurt

Electric vehicle sales rebounded strongly in Germany in 2025, official data showed yesterday, with Chinese manufacturers making inroads from a low base in the EU's largest economy despite tariffs.

EV sales rose 43.2% last year to 545,142 in total, the KBA federal transport authority said, representing 19.1% of all new cars sold.

Chinese EV giant BYD — which last year overtook Elon Musk's Tesla to become the world's largest electric carmaker — saw its German sales rise over 700% to more than 23,000 cars, giving it 0.8% of the overall auto market.

"International vehicle manufacturers with affordable battery electric vehicles and plug-in hybrids have contributed disproportionately to growth in these segments," said Imelda Labbe, head of the VDIK foreign carmakers' lobby in Germany.

The European Union in 2024 introduced higher tariffs on Chinese-made electric cars, alleging that they benefitted from unfair subsidies.

That has not stopped sales of Chinese cars rising across the bloc, with the country's carmakers keen to crack foreign markets amid cut-throat competition at home.

Rising EV sales are also some rare good news for Germany's beleaguered carmakers, which have invested heavily in the technology in recent years, and are seeking to comply with European Union environmental rules.

Though the European Commission in December proposed scrapping a planned 2035 ban on new combustion-engine vehicles, carmakers would still have to cut emissions by 90% from 2021 levels under its latest plan, and need to see dramatic sales growth.

The rise in EV sales last year comes after a fall of almost 30% in 2024 following the withdrawal of government subsidies, and Germany's electric car market is still smaller than optimists had hoped for.

"We haven't seen a real boom yet," EY analyst Constantin Gall said. "The hoped-for surge in e-mobility in Germany is proving to be much more protracted and difficult than expected."

After the decline in the market in 2024, the government said in December it would introduce subsidies again.

Some motorists will be able to benefit from €5,000 ($5,855) for the purchase of new EVs or hybrids so long as their components are largely made in Germany.

But industry figures say that better charging infrastructure and cheaper power would be needed to really boost EVs and warned that the planned subsidy would have limited impact.

"The state subsidies will only be available to households on low and middle incomes," Gall said. "But it is high-earners who tend to buy new electric cars."

Weak sales at home have compounded the challenges facing Germany's car industry.

It was already contending with the costs of investing in EVs and cratering sales in key market China even before US President Donald Trump last year slapped tariffs on cars and auto parts.

Volkswagen, Europe's largest carmaker, is in the process of cutting 35,000 jobs in Germany by 2030 under a deal reached with unions in a bid to slash costs.

A BYD Yangwang U9 is on display at the Essen Motor Show in Essen, western Germany (file). Chinese EV giant BYD — which last year overtook Elon Musk's Tesla to become the world's largest electric carmaker — saw its German sales rise over 700% to more than 23,000 cars, giving it 0.8% of the overall auto market.

Saudi stocks jumped in September following a report that the CMA might ease a 49% cap on foreign ownership of listed firms, in a move that could help revive interest in the Arab world's biggest stock exchange. The Saudi benchmark index fell 12.8% last year and is down 1.9% so far this year, according to LSEG data

Saudi Arabia to open financial markets to all foreign investors next month

Reuters
Dubai

Saudi Arabia plans to open its financial markets to all foreign investors from February 1, the Gulf country's market regulator said yesterday, as it eases rules to attract more money from abroad.

The amendments approved by the Capital Markets Authority eliminate the concept of the Qualified Foreign Investor, scrapping a rule that allowed only international investors with direct and consistent access to the Saudi capital market.

The move will allow investors from around the world to invest directly in the capital market, the CMA said in a statement, adding it would support inflows and improve market liquidity.

Saudi Arabia, which is more than halfway through an economic plan to reduce its dependence on oil, has been trying to attract foreign investors, including by establishing exchange-traded funds with Asian partners in Japan and Hong Kong.

Regulators last year also opened the door for foreigners to buy listed firms that own real estate in Makkah and Medinah, without changing restrictions on direct land ownership.

JP Morgan said it expected the impact of Tuesday's move to be limited as "nearly all" institutional investors by assets under management were already allowed to invest in the market.

"As a reminder, the key regulatory change that investors are expecting is the change to the foreign ownership limits, which should have some positive impact on the market," JPM said in a note, adding that it did not expect that change to happen before the second half of the year or later.

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The Saudi benchmark index fell 12.8% last year and is down 1.9% so far this year, according to LSEG data.

International investors held 590bn riyals ($157bn) in the Saudi capital market at the end of the third quarter last year, the CMA said.

Oman is planning to set up international financial centre

Reuters
Dubai

Oman plans to set up an international financial centre in the country, the state news agency reported yesterday, as the small oil producer joins its bigger neighbours in seeking to attract foreign companies eager to capitalise on the region's growth.

The ONA news agency said the government had approved the plan without giving precise details or disclosing timing.

The financial centre would have "legislative, administrative, and regulatory independence, and will be built on a new financial, judicial, and legislative system aligned with global standards," it said.

It quoted Finance Minister Sultan bin Salim al-Habsi as saying the centre would help achieve economic diversification and develop the financial and investment sector.

Oman has followed the lead of other oil-producing countries that are seeking to diversify in its pursuit of investment in the financial sector and the privatisation of companies, including state energy firm OQ.

Combined with fiscal reforms, its efforts have helped the Sultanate pay down debt and credit rating agency Fitch upgraded it to investment grade last month.

Oman last week approved its 2026 budget with a deficit of $1.4bn, based on an average oil price of $60 per barrel, lower than the $1.6bn deficit expected for last year.

Nvidia unveils new AI chip platform amid rising competition

AFP
Las Vegas

AI juggernaut Nvidia unveiled its latest AI platform on Monday, as the world's most valuable company works to maintain its leadership in supplying the chips that power the artificial intelligence (AI) revolution.

The California-based company made its announcement at the annual Consumer Electronics Show in Las Vegas, where CEO Jensen Huang's keynote was an early must-see event at the globe's biggest tech showcase.

With its new Vera Rubin product, first announced in September, Nvidia is seeking to lock in its dominance of the AI chip business. The company currently holds an estimated 80% of the global market for AI data centre chips.

However, Nvidia faces mounting pressure from multiple fronts, with traditional chip-making rivals like AMD and Intel pushing hard to compete.

Meanwhile, Nvidia's biggest customers — Google, Amazon, and Microsoft — are increasingly developing their own chips to reduce their dependence on the company.

Google's latest AI model, Gemini 3, was trained without Nvidia's technology. China is also racing to build domestic alternatives to Nvidia products, which have faced US export restrictions, hobbling the Chinese tech sector.

Nvidia said Rubin-based products would be available from partners in the second half of 2026.

The company described the new model, named after American astronomer Vera Rubin, as marking a profound shift from its previous generation of AI architecture, Blackwell, which launched in late 2024.

The company promises that the Rubin product will run five times more efficiently than previous offerings, a key performance metric as the energy needs related to AI become an increasing concern.

The platform itself comprises "six chips that make one AI supercomputer," said Dion Harris, Nvidia's director of data centre and high-performance computing.

These will "meet the needs of the most advanced models and drive down the cost of intelligence," he added.

Since ChatGPT's release in 2022, Nvidia has been updating its product line at a furious pace, raising questions about whether tech companies building AI models can afford to keep their technology state-of-the-art.

Chevron continues to ship Venezuelan oil, but loading on hold for Chinese buyers, shows shipping data

Venezuela was loading crude only for US major Chevron yesterday, while operations by state-run oil firm PDVSA to load cargoes for its main customers in China remained on hold for a fifth day, shipping data showed.

US forces captured President Nicolas Maduro on Saturday and took him to New York to face drug charges. Interim President Delcy Rodriguez is now running the government, which the US has said it will oversee.

The US imposed a blockade on sanctioned oil tankers sailing into and out of Venezuelan waters last month, which halted most exports other than those destined for Chevron.

Chevron is the only US oil major operating in the country under a US license that exempts it from sanctions imposed by Washington on Venezuela's oil industry to choke off revenue that financed Maduro's government.

On Tuesday, several vessels chartered by Chevron were the only ones loading crude for export at Venezuela's Jose and Bajo Grande ports, ship monitoring data showed.

Other ships were loading either to move oil between domestic ports or to store crude because onshore storage was almost completely full, according to PDVSA's internal documents.

The last crude cargo that was loaded for an Asian customer at Jose finished loading on January 1, according to the data and documents. Without more exports, PDVSA could be forced to deepen production cuts it began in recent days because storage tanks are full.

Chevron on Monday resumed exports of Venezuelan oil to the US after a four-day pause and called workers abroad back to its Venezuelan offices as flights to the country restarted. The US firm has emerged in recent weeks as the only company fluidly exporting Venezuela's crude.

At least a dozen vessels under sanctions that had loaded in December and had been stuck in Venezuela's waters due to the embargo sailed in early January. Those vessels were carrying around 12mn barrels of crude and fuel. It was unclear where the vessels were heading, although they were initially loaded for customers in China.

China's oil investments in Venezuela

Reuters
Beijing

China is a major customer of and investor in Venezuela's oil sector, which President Donald Trump aims to revive following the US military's ouster of President Nicolas Maduro on Saturday.

Years of mismanagement, underinvestment and, more recently, US sanctions have slashed Venezuelan crude production to about 1.1mn barrels per day (bpd) last year from a peak of some 3.5mn bpd in the late 1990s, according to official figures.

Here are details on Beijing's role in the country's oil sector.

A MAJOR BUYER: Much of Venezuela's exported oil is sold to China, although Beijing declares very little and imports are often rebranded.

Imports hit about 470,000 bpd during 2025, according to energy analytics firm Vortexa, or roughly 4.5% of China's seaborne crude imports.

Small independent refiners known as "teapots" are the main Chinese buyers of discounted Venezuelan crude. A portion also goes to repaying Caracas' debt to Beijing, which analysts estimate exceeds $10bn.

AN INVESTOR AND PRODUCER: Chinese investors poured $2.1bn into the country's oil sector after 2016, according to a 2023 estimate from the American Enterprise Institute, and are among a handful of foreign firms still operating in the country.

El Palito refinery of the Venezuelan state oil company PDVSA in Puerto Cabello, Venezuela. Years of mismanagement, underinvestment and, more recently, US sanctions have slashed Venezuelan crude production to about 1.1mn barrels per day last year from a peak of some 3.5mn bpd in the late 1990s, according to official figures.

■ China National Petroleum Corp: The major state-owned oil company was a big investor before the US imposed sanctions in 2019 and still produces crude at the Sinovensa joint venture with state-owned oil company PDVSA. CNPC stopped lifting Venezuelan oil in 2019, but crude has since made its way to China via traders and other state-owned firms. CNPC is a partner in a joint venture that controls 1.6bn barrels of oil reserves in the country, according to Morgan Stanley.

■ Sinopec Group: The state-owned giant is a partner in a joint venture that controls 2.8bn barrels of reserves in Venezuela, according to Morgan Stanley. CNPC and Sinopec did not immediately respond to queries on their Venezuela involvement.

■ China Concord Resources Corp: The private company planned last year to invest more than $1bn in two oilfields to produce 60,000 bpd by the end of 2026, Reuters reported. The company could not be reached for comment.

■ Kerui Petroleum: The private oil services company was granted an oil production contract in 2024 by PDVSA, according to a July 2024 S&P report, citing an anonymous PDVSA official. It was unclear if the contract is active, as many are not. The company did not respond to a request for comment.

■ Anhui Erhuan Petroleum Group: The private refined oil wholesaler and retailer was also granted an oil production contract in 2024 by PDVSA, according to the same S&P report, again citing an anonymous PDVSA official. It was also unclear if the contract is active. The Chinese company denied any involvement in a PDVSA joint venture in a phone call to Reuters on Monday.

Markets' 2026 watch list: Fed succession, political risk and AI

Analysts see risks from US midterms and rate cuts; stock markets to rise, albeit at slower pace than in 2025; borrowing costs in key markets to remain high; dollar expected to fall, yen to strengthen

Reuters
New York

Geopolitics, US midterm elections and diverging monetary policies are among key drivers for world markets in 2026, alongside an artificial intelligence boom that has raised concerns about a tech share bubble.

"The true black swan, then, could lie elsewhere," said Swissquote Bank senior analyst Ipek Ozkardeskaya, referring to a rare, high-impact event that jolts markets. "It may emerge from an overlooked corner of the market: an unexpected macro shock or a sudden policy shift."

Here's how some key market themes are taking shape for 2026.

Plenty of risks lining up

The nomination of a new Federal Reserve chair in early January is a key event. Incumbent Jerome Powell's term expires in May. US President Donald Trump has pressured the Fed to cut rates, bringing central bank independence into question.

"The most under-appreciated tail risk for 2026 is that the Fed eases monetary policy more than economic conditions justify, inadvertently reigniting inflation," said eToro global market strategist Lale Akoner. He said further rate cuts could lead to aggressive easing, pushing up inflation and forcing a disruptive policy reversal.

The US Supreme Court is poised to rule on the legality of Trump's sweeping emergency tariffs, while US midterm elections take place in November.

Geopolitics is also taking centre stage after the US captured Venezuelan President Nicolas Maduro.

Trump warned of possible military action in Colombia and Mexico and said Cuba's communist regime "looks ready to fall". Canada and Greenland, targets of Trump rhetoric, are likely watching how developments in Venezuela unfold.

It's a big year for emerging market elections from Hungary to Brazil and Colombia, a potential headwind after a strong 2025.

Hungary's Viktor Orban faces a race against time before April's election to turn the stagnating economy around enough to extend his grip on power.

Latin American elections will fall under the shadow of events in Venezuela, but wins by conservatives in Brazil and Colombia could bring the tighter budget policies and streamlined regulations that investors want.

Checking in on stocks

Stock markets in the US, Japan and Europe should rally this year, but will struggle to match 2025's blistering gains, a recent Reuters poll suggests. It showed 56% of those surveyed forecasting a correction in the coming months. A potential sell-off in AI-related shares could also hurt broader sentiment. AI excitement has boosted valuations, feeding expectations for massive spending on infrastructure.

But doubts about the returns from AI investments and levels of debt some firms are taking on are starting to creep in.

Analysts see the S&P 500 at 7,490 points by end-2026 and Europe's STOXX 600 at 623, implying gains of just over 9% and 5% respectively from end-2025.

eToro's Akoner said he expected markets to be less concentrated in US mega caps as rotation continues.

Central banks walk a tightrope

Central banks start 2026 on differing paths, having broadly been on an easing trend.

The Fed cut rates three times last year and markets forecast two more 25-basis-point reductions by year-end. The European Central Bank is seen on hold, while traders price in a rate hike in Australia and Japan is expected to lift rates to 1% this year.

"The ECB has a single mandate - inflation. Therefore, it will continue to prioritise price stability.

The Fed, however, has a dual mandate and political pressure for easier policy, giving it more flexibility - but inflation above 3.5% would be a clear barrier," said Swissquote Bank's Ozkardeskaya.

Sticky debt

While Trump hopes rate cuts will lower mortgage rates, longer-term borrowing indicators, such as 30-year Treasury yields, more sensitive to long-term government finances, ended 2025 little changed.

Bond yields and debt levels across major economies are expected to remain elevated given fiscal stimulus.

Analysts polled by Reuters forecast 10-year Treasury yields to rise to 4.25% by end-2026 from around 4.17%.

German Bund yields are forecast to rise to 2.97% from 2.89%.

British and Japanese yields, by contrast, are expected to fall.

Forecasting currencies

The consensus trade for a weaker dollar this year contrasts with a year ago, when stronger dollar expectations faded following the April 2 tariff turmoil.

The dollar index, which just had its worst year since 2017, is forecast in a Reuters poll to weaken to 95.7 by year-end, implying a 2.5% fall from current levels.

"The dollar's dominance is intact, but no longer unquestioned," said Akoner.

The yen is expected to strengthen, leaving the dollar at 145 yen from around 157 over that period, according to a Reuters poll.

Sterling and the euro are seen broadly stable.

Cryptocurrencies remain a high-risk segment and a strong correlation with tech shares should keep volatility elevated, said Ozkardeskaya.

Bitcoin hit a record high above $125,000 in October before sliding. It ended 2025 down over 6%.

Institutional adoption, exchange-traded funds, and integration with energy and AI markets could bolster long-term demand, added Akoner.

Asia markets extend global rally amid optimistic outlook

AFP
Hong Kong

Asian markets rallied yesterday, tracking the year's first record on Wall Street as investors racked up AI-linked tech bets, while oil prices steadied after whipsawing following the ouster of Venezuelan president Nicolas Maduro.

In Tokyo, the Nikkei 225 closed up 1.3% to 52,518.08 points; Hong Kong - Hang Seng Index ended up 1.4% to 26,710.45 points and Shanghai - Composite closed up 1.5% to 4,083.67 points yesterday.

Attention is also turning back to US monetary policy and the release of key data this week that could play a role in Federal Reserve interest rate decision-making ahead of its next meeting at the end of the month.

Investors look at an electronic board showing stock information at a brokerage house in Shanghai (file). The Composite closed up 1.5% to 4,083.67 points yesterday.

Traders essentially ignored the noise of the surprise US raid on Caracas on Saturday that saw Maduro and his wife spirited away to New York to face drug charges.

While there is still some nervousness about stretched valuations in the tech sector, analysts remain optimistic about the outlook for equities this year, with artificial intelligence still the main game in town.

"Global equities are likely to keep looking through the geopolitical shock unless it threatens the broader supply chain or tightens financial conditions, because geopolitics has become a persistent feature rather than a surprise," Charu Chanana, chief investment strategist at Saxo Markets, wrote in a commentary.

"Equities can continue grinding higher if earnings expectations, liquidity, and rate expectations remain supportive, especially in tech."

That mood was reflected on Wall Street, where the Dow ended at a new record, boosted by a rally in tech titans including Amazon and Meta as well as energy giants.

The S&P 500 and Nasdaq also rose, helped by data showing US manufacturing activity contracted for a 10th straight month in December, giving the Fed fresh room to cut rates.

The figures come ahead of jobs data due over the next couple of days, which could give it more justification to ease, even after the central bank suggested last month it could pause its easing.

Hong Kong, Tokyo, Shanghai, Taipei, Singapore and Jakarta all piled on more than one percent, while there were also healthy gains in Manila and Wellington. Mumbai, Sydney and Bangkok fell.

Seoul, which soared more than three percent Monday, also rose more than one percent to top 4,500 points for the first time, helped by another strong rally in chip giant SK hynix.

South Korean car giant Hyundai jumped more than 8% at the open after it unveiled a prototype of its humanoid robot called Atlas at the Consumer Electronics Show in Las Vegas.

The firm said the AI-powered device would start working at a US plant by 2028. It ended more than 1% up.

In Sydney, Australia's BlueScope Steel rocketed almost 21 percent after saying it is evaluating a $8.8bn joint takeover bid by a US rival and a diversified local firm.

London opened with more gains a day after ending at a record high, while Paris and Frankfurt also advanced.

US Fed governor sees need for a significant decline in rates

AFP
Washington

Stephen Miran, US Federal Reserve governor.

US Federal Reserve Governor Stephen Miran said yesterday he saw the need for a significant drop in interest rates in 2026, advocating for a larger decline than the central bank has so far signalled.

"The unemployment rate has been very gradually and slowly creeping up," Miran said in an interview with Fox Business, arguing that despite some policymakers' worries about inflation, underlying levels are close to the Fed's long-term two-percent target.

"I think we've got to cut more than 100 basis points this year," he added.

Miran was appointed by President Donald Trump last year for a term lasting until late January, as the US leader publicly excoriated the Fed for not cutting rates more rapidly.

Since taking office in September, Miran has dissented in all three of the Fed's policy meetings to push for larger rate reductions than his peers on the rate-setting committee.

The Fed voted to lower the benchmark lending rate by a quarter percentage point at each of these gatherings, bringing rates to a range between 3.50% and 3.75%. Miran voted for a bigger half-percentage-point cut at each instance.

The central bank is widely expected to hold rates steady at its next gathering in late January, however, as it digests a slate of delayed economic data after a government shutdown last year.

Miran argued that "policy is clearly restrictive and holding the economy back."

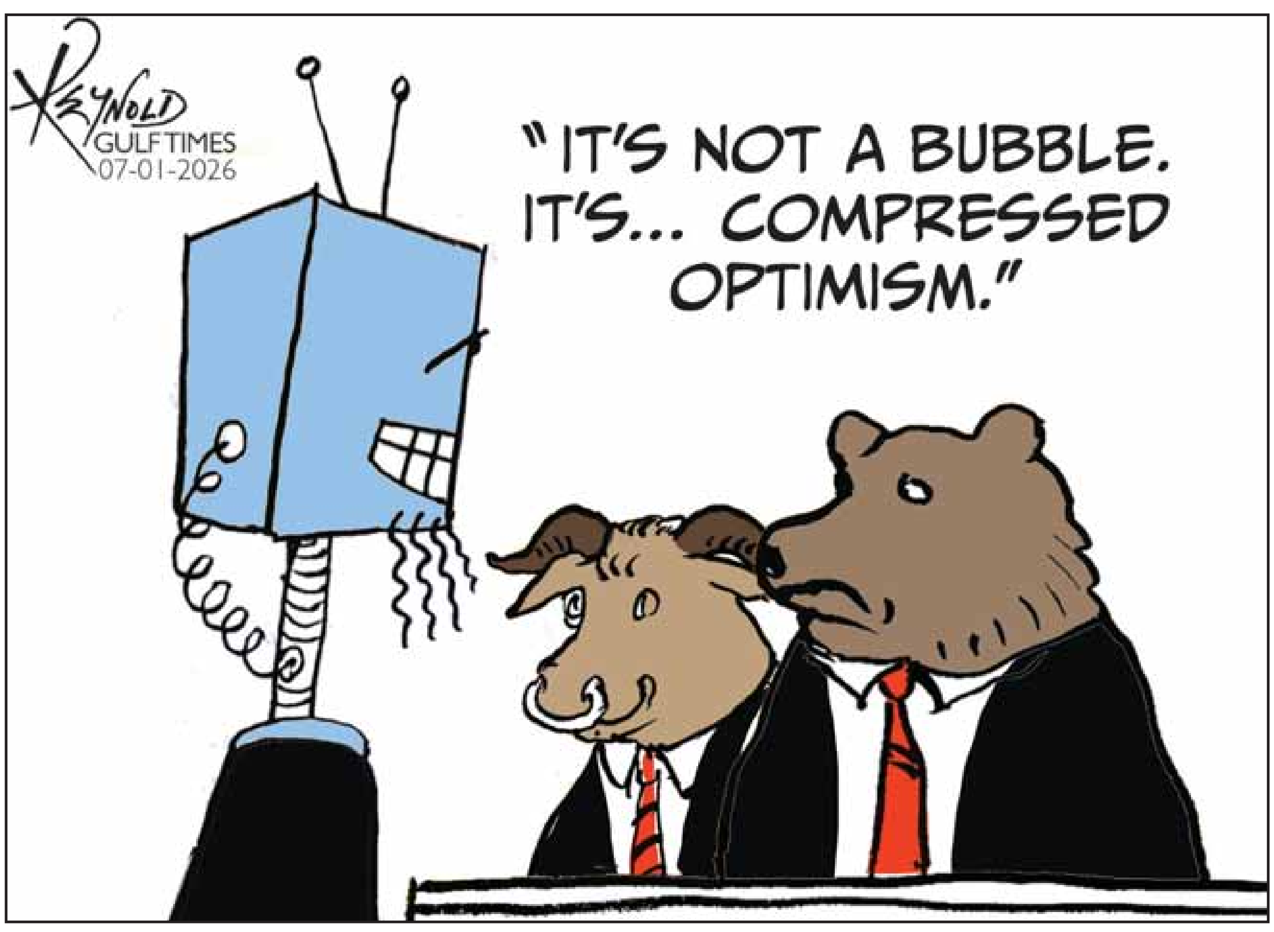
While officials have been lowering rates to shore up the world's biggest economy as the employment market weakens, some see the need to hold back on reductions to rein in inflation.

Chicago Fed President Austan Goolsbee, who joined Kansas City Fed President Jeffrey Schmid in pushing to keep rates unchanged in December, warned last month that progress in cooling price hikes had stalled as firms and households grapple with Trump's new tariffs.

While inflation from Trump's sweeping tariff hikes could be one-off, Goolsbee cautioned that higher prices may still prove more long-lasting than expected.

The Fed has a dual mandate of balancing maximum employment and price stability as it mulls the path of interest rates.

Miran added that he did not put himself forward for the Fed Chair job, with current chief Jerome Powell's term ending in May.



Eurozone bond yields drop

Reuters
London

Eurozone government bond yields fell yesterday after data pointed to cooling inflation and confirmed that the regional economy had lost momentum in December.

Consumer prices rose slightly less than expected in France, while running at a rate of 2.0% in Germany in December, below November's 2.6%.

HCOB's final composite Purchasing Managers' Index data showed the eurozone economy expanded at a slower pace last month, but ended 2025 with its strongest quarterly growth in more than two years.

German 10-year yields, the euro area benchmark, were down three basis points on the day at 2.843%.

"The (German data) breakdown suggests the drop was mostly driven by energy inflation but it is encouraging that services inflation, which in Germany as a whole had risen quite sharply in recent months, also seems to have eased in some states," said Franziska Palmas, senior Europe economist at Capital Economics.

"It seems pretty clear that the bar for the European Central Bank (ECB) to change its policy setting is high at the moment, and on the margin, a fall in services inflation should consolidate that view," she added.

Oil prices fell yesterday, further easing concerns about inflation, as the market weighed the prospect of higher Venezuelan crude output following the US capture of President Nicolas Maduro.

Money markets now price in virtually zero chance of an ECB rate hike by December 2026 and about 24% by March 2027, compared with 10% and 30% before the data. The deposit rate is currently at 2%.

Bund yields climbed to 2.917% before Christmas, just a couple of basis points shy of their March highs, when Germany struck a political deal to ramp up infrastructure and defence spending.

Supply is in focus, with Citi forecasting euro area gross issuance at 200bn euros ($233.92bn) in January - the highest monthly amount on record - and projecting the net cash requirement (NCR) to remain elevated at 124bn euros, only marginally below the record high of January 2025.

NCR refers to the net amount of funds euro area governments seek to raise through new bond issuance after accounting for repayments on existing debt.

German 30-year yields were down 3.2 bps at 3.48%.

They reached 3.556% on December 22, their highest since July 2011, as long-dated debt prices came under pressure on expectations for heavier bond supply.

Sterling at highest since mid-September on dollar and euro

Sterling hit its highest in nearly four months against both the dollar and euro yesterday, buoyed by improved global investor sentiment, easing worries about Britain's fiscal position and hints of Britain pursuing a closer relationship with Europe, reports Reuters.

The pound hit its highest since mid-September on the dollar, and was last flat on the day at $1.3536, while the euro dropped as low as 86.44 pence again, its lowest in nearly four months, extending the previous day's 0.57% fall. The move in euro/sterling was particularly notable as British and euro zone interest rates have largely moved in unison - relative changes in interest rates are often major factors in currency moves.

Instead, analysts pointed to a melange of factors behind sterling's strength.

Lee Hardman, senior currency analyst at MUFG, noted the pound typically outperforms when investor sentiment is positive - world stocks are at record highs - and that as the pound had now recovered all its losses in the run-up to last year's budget, it seemed to be benefiting "from the reduction in UK fiscal and political risks in the near-term."